

Message Text

CONFIDENTIAL

PAGE 01 VIENNA 10301 01 OF 02 111843Z

45

ACTION EB-07

INFO OCT-01 ISO-00 AF-04 ARA-06 EA-06 EUR-12 NEA-06 RSC-01

IO-10 SSO-00 NSCE-00 INRE-00 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-01

INR-05 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 USIE-00

PA-01 PRS-01 AECE-00 /113 W
----- 028142

O P 111725Z DEC 74

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC IMMEDIATE 4364

INFO AMEMBASSY ABU DHABI PRIORITY

AMEMBASSY ALGIERS PRIORITY

USINT BAGHDAD PRIORITY

AMEMBASSY BEIRUT PRIORITY

AMEMBASSY BONN PRIORITY

USMISSION EC BRUSSELS PRIORITY

AMEMBASSY CARACAS PRIORITY

AMEMBASSY JAKARTA PRIORITY

AMEMBASSY JIDDA PRIORITY

AMEMBASSY KUWAIT PRIORITY

AMEMBASSY LAGOS PRIORITY

AMEMBASSY LIBERVILLE PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY MEXICO PRIORITY

USMISSION OECD PARIS PRIORITY

AMEMBASSY QUITO PRIORITY

AMEMBASSY ROME PRIORITY

AMEMBASSY TEHRAN PRIORITY

AMEMBASSY TOKYO PRIORITY

AMEMBASSY TRIPOLI PRIORITY

C O N F I D E N T I A L SECTION 1 OF 2 VIENNA 10301

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 VIENNA 10301 01 OF 02 111843Z

E.O. 11652: GDS

TAGS: ENRG, OPEC, AU
SUBJECT: OPEC: AMOUZEGAR LUNCHEON REMARKS

KUWAIT PASS DOHA

BEIRUT PASS BAGHDAD

DEPT FOR EB

SUMMARY: IRANIAN MINISTER OF INTERIOR AND CIVIL SERVICE AFFAIRS JAMSHID AMOUZEGAR ADDRESSED VIENNA DIPLOMATIC ASSOCIATION DEC. 11. HIS EXTEMPORANEOUS REMARKS WERE LARGELY REPETITION OF WELL-KNOWN AND UNYIELDING POSITIONS ON ENERGY AND OIL PREVIOUSLY EXPRESSED BY AMOUZEGAR AND SHAH. HOWEVER, HE SAID IRAN CONTRARY TO WIDESPREAD IMPRESSION, WELCOMED INTERNATIONAL ENERGY AGENCY AND PROSPECT OF CONSULTING WITH MAJOR CONSUMERS ONCE LATTER HAVE WORKED OUT THEIR DIFFERENCES. HE SPIRITEDLY DEFENDED PRESENT OIL PRICES AND SAID THEY SHOULD BE INCREASED ACCORDING TO RATE OF INFLATION. HE SAID IN EFFECT WEST HAD BEEN LIVING BEYOND ITS MEANS AND TOLD AUDIENCE THAT WORLD HAS CHANGED. HE NOTED THAT AMONG CONSUMER COUNTRIES ITALY, FRANCE AND UK WERE HARDEST HIT BY SUDDEN RISE IN OIL PRICES AND QUOTE WE ARE WILLING TO HELP UNQUOTE. HIS REMARKS ARE REPORTED IN SOME DETAIL TO CONVEY TONE OF SPEECH ON EVE OF OPEC MINISTERIAL CONFERENCE.

1. IN SPIRITED TALK BEFORE VIENNA DIPLOMATIC ASSOCIATION MINISTER AMOUZEGAR (SPEAKING ENGLISH) CHARGED THAT QUOTE DELIBERATE AND DECITFUL POLICY OF OIL COMPANIES AND WESTERN COUNTRIES AND JAPAN UNQUOTE WAS RESPONSIBLE FOR WIDENING GAP BETWEEN DEVELOPED AND THIRD WORLD COUNTRIES. HE EMPHASIZED THAT CRUDE OIL PRICES MUST REFLECT COST OF PRODUCING ALTERNATIVE FUELS, AND RIDICULED ARGUMENT THAT HIGH CRUDE OIL PRICES WAS MAJOR CAUSE OF INFLATION. HE CITED OECD STUDY THAT ONLY ONE-HALF OF ONE PERCENT OF U.S. PRICE RISES DUE TO OIL, AND SAID ONE HAS TO LOOK FOR OTHER CAUSES FOR GALLOPING INFLATION INCLUDING INCREASE IN MONEY SUPPLY WHICH HAS GROWN TWICE AS FAST AS PRODUCTION OF GOODS
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 VIENNA 10301 01 OF 02 111843Z

AND SERVICES. HE QUOTED MILTON FRIEDMAN STATEMENT IN MANCHESTER GUARDIAN INTERVIEW TO EFFECT THAT OIL PRICES QUOTE NOT A CAUSE, BUT AN EXCUSE UNQUOTE FOR INFLATION. BUT, AMOUZEGAR SAID, PRESS NEVER QUOTES FRIEDMAN; IT QUOTES ECONOMISTS WHO BELIEVE OIL IS MAJOR CAUSE OF INFLATION. FACT IS, AMOUZEGAR SAID, THAT WESTERN COUNTRIES HAVE LIVED BEYOND THEIR MEANS DURING DECADE OF THE SIXTIES. AS FOR QUOTE AVERAGE

TAKE UNQUOTE FROM OIL, IN 1973 AVERAGE TAKE OF 12 INDUSTRIAL COUNTRIES (FROM TAXES) WAS \$8.00 PER BARREL WHEREAS IT WAS ONLY \$2 A BBL. FOR OIL PRODUCERS.

2. AMOUZEGAR SAID WEST GERMANY WILL END UP END 1974 WITH \$10 BILLION MORE IN RESERVES, WITH TOTAL RESERVES OVER \$40 BILLION. NOBODY TALKS, HE SAID, ABOUT THAT SURPLUS, BUT EVERYBODY TALKS ABOUT THE POSSIBLE \$45 BILLION OPEC SURPLUS. ONLY THREE WESTERN COUNTRIES ARE SUFFERING, ITALY, FRANCE AND THE UK. QUOTE WE RECOGNIZE THIS AND ARE WILLING TO HELP, ALREADY HAVE DONE SO THROUGH THE IMF. UNQUOTE AMOUZEGAR THOUGHT PROBLEMS WOULD NOT BE SOLVED BY CALLING OIL PRODUCERS QUOTE BLACKMAILERS--WORDS OUT OF MOUTH OF THOSE WHO ARE SUPPOSED TO BE STATESMAN AND GOVERNMENT OFFICIALS UNQUOTE. SPEAKER ALLUDED TO QUOTE INHERENT ECONOMIC PROBLEMS UNQUOTE OF ONE (UNNAMED) COUNTRY, SAYING QUOTE THE RICH HAVE RESIDENCES IN MONACO, MAKE THEIR MONEY AT HOME AND PAY NO TAXES. ARE WE SUPPOSED TO CARRY THE BURDEN? UNQUOTE

3. AMOUZEGAR SAID THAT THE WORLD'S ECONOMIC PROBLEMS CAN BE SOLVED COLLECTIVELY, BUT ADDED THIS WOULD BE DIFFICULT IF WESTERN ATTITUDE PERSISTS THAT IT IS A QUOTE PRIVATE CLUB THAT IS NOT GOING TO OPEN ITS DOOR UNQUOTE. HE ENDED TALK BY DECRYING QUOTE RESIST FEELING THAT ASIA, SOUTH AMERICA AND AFRICA HAVE TO GO AND BEG FOR HELP UNQUOTE. THE WORLD HAS CHANGED, HE SAID; WE NEED QUOTE HEARTS TO FEEL AND MINDS TO UNDERSTAND UNQUOTE.

4. IN QUESTION/ANSWER SESSION AMOUZEGAR MADE FOLLOWING MAJOR POINTS: A. IRAN HAS ALLOCATED \$2.7 BILLION THIS CONFIDENTIAL

CONFIDENTIAL

PAGE 04 VIENNA 10301 01 OF 02 111843Z

YEAR FOR FOREIGN AID AND IS ARRANGING FOR DEFERRED PAYMENTS FOR CRUDE SOLD TO CERTAIN LDCS WITH CASH PAYMENTS EQUIVALENT TO PREVIOUS OIL PRICE AND BALANCE OVER FIVE YEARS AT ONE AND ONE-HALF PERCENT. AID ALLOCATION, HE SAID, IS 6 PERCENT OF IRANIAN GNP, WHEREAS US AT HEIGHT OF MARSHALL PLAN DEVOTED ONLY ZERO POINT EIGHT PERCENT OF GNP TO FOREIGN AID. B. ONCE OIL IS 100 PERCENT NATIONALIZED OIL PRICING MUST BE SET ON BASIS

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 VIENNA 10301 02 OF 02 111841Z

45

ACTION EB-07

INFO OCT-01 ISO-00 AF-04 ARA-06 EA-06 EUR-12 NEA-06 RSC-01

IO-10 SSO-00 NSCE-00 INRE-00 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-01

INR-05 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 USIE-00

PA-01 PRS-01 AECE-00 /113 W
----- 028115

O P 111725Z DEC 74

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC IMMEDIATE 4365

INFO AMEMBASSY ABU DHABI PRIORITY

AMEMBASSY ALGIERS PRIORITY

USINT BAGHDAD PRIORITY

AMEMBASSY BEIRUT PRIORITY

AMEMBASSY BONN PRIORITY

USMISSION EC BRUSSELS PRIORITY

AMEMBASSY CARACAS PRIORITY

AMEMBASSY JAKARTA PRIORITY

AMEMBASSY JIDDA PRIORITY

AMEMBASSY KUWAIT PRIORITY

AMEMBASSY LAGOS PRIORITY

AMEMBASSY LIBREVILLE PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY MEXICO PRIORITY

USMISSION OECD PARIS PRIORITY

AMEMBASSY QUITO PRIORITY

AMEMBASSY ROME PRIORITY

AMEMBASSY TEHRAN PRIORITY

AMEMBASSY TOKYO PRIORITY

AMEMBASSY TRIPOLI PRIORITY

C O N F I D E N T I A L SECTION 2 OF 2 VIENNA 10301

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 VIENNA 10301 02 OF 02 111841Z

KUWAIT PASS DOHA
BEIRUT PASS BAGHDAD
DEPT FOR EB

OF CERTAIN PRINCIPLES INCLUDING CONSERVATION FOR FUTURE GENERATIONS. C. IN ANSWER TO QUESTION WHETHER IRAN FAVORS NATION-TO-NATION DIALOGUE OR GROUP-TO-GROUP, AMOUZEGAR SAID GROUP TO GROUP PREFERRED. QUOTE WE WELCOME THE IEA. WE'VE BEEN LOOKING FOR THE MAJOR CONSUMERS TO GET TOGETHER AND SOLVE THEIR DEFERENCES UNQUOTE SO THEY CAN COME CONSULT WITH THE OIL PRODUCERS. QUOTE A CONSTRUCTIVE, POSITIVE DIALOGUE MUST BE INITIATED SOON UNQUOTE. D. PRICE OF OIL SHOULD BE INCREASED ACCORDING TO RATE OF INFLATION, BUT HE DID NOT EXPECT QUOTE GEOMETRIC PRICE INCREASES UNQUOTE. SHAH HAS PROPOSED A BASKET OF 20 TO 30 COMMODITIES; COMPOSITION OF BASKET SUBJECT TO COMPROMISE, BUT QUOTE PURCHASING POWER OF OUR OIL MUST BE CONSERVED UNQUOTE. E. IN RESPONSE TO A QUESTION ABOUT AID TO THE LDCS SUFFERING FROM THE CURRENT PRICE OF OIL, AMOUZEGAR STATED THAT IRAN WAS WILLING TO CONTRIBUTE TO A UN FUND ON THE BASIS OF PER CAPITA INCOME. HE NOTED POINTEDLY HERE THAT IRAN'S PER CAPITA INCOME IS APPROXIMATELY ONE-SIXTH THAT OF THE US, AND THEREFORE IRAN WOULD BE WILLING TO CONTRIBUTE ITS SHARE WHENEVER THE U.S. (AND, BY IMPLICATION, OTHER INDUSTRIALIZED CONSUMING COUNTRIES) WOULD DO LIKEWISE. QUOTE FOR EVERY \$6 THE U.S. PUTS IN WE ARE WILLING TO PUT IN \$1.10, BUT VERY FEW WILL PUT THEIR MONEY WHERE THEIR MOUTH IS UNQUOTE.

6. IN PRIVATE CONVERSATION DURING LUNCHEON, AMOUZEGAR SAID A. HE DID NOT ANTICIPATE CONTINUATION OF 1974 PATTERN OF QUARTERLY MINISTERIAL MEETINGS. WHEN ASKED WHETHER THIS IMPLIED THAT DECEMBER 12-13 MEETING (WHICH COULD GO BEYOND TWO DAYS) WOULD THEREFORE TRY TO SET PRICE FOR LONGER PERIOD OF TIME THAN THREE MONTHS, HE REPLIED POSITIVELY. HE NOTED THAT PRICE STABILITY WAS IN INTEREST OF BOTH PRODUCERS AND CONSUMERS. B. AMOUZEGAR EXPECTS THAT IRANIAN PROPOSAL FOR A SINGLE PRICE WILL BE ACCEPTED BY THE MINISTERIAL CONFERENCE .. HE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 VIENNA 10301 02 OF 02 111841Z

DOES NOT EXPECT ANY SURPRISES FROM SAUDI MINISTER YAMANI. (EMBOFF INFORMED PRIOR TO LUNCHEON BY WEST EUROPEAN COLLEAGUE THAT HE WAS TOLD TODAY BY A MIDDLE EAST MEMBER OF MINISTERIAL DELEGATION THAT MINISTERS WOULD DECIDE ON A SINGLE PRICE IN RANGE OF \$10.40 TO \$10.45 PER BBL. FOR MARKER CRUDE.) C. ON INDEXING, AMOUZEGAR REFERRED TO THE IRANIAN DESIRE TO LINK THE

PRICE OF CRUDE TO AN AS-YET-UNDETERMINED BASKET OF COMMODITIES. HE NOTED, HOWEVER, THAT IT WILL BE NECESSARY TO DISCUSS DETAILS AND IMPLEMENTATION (E.G., WHICH COMMODITIES, HOW MANY, WHAT SORT OF LINK) WITH THE CONSUMERS. TO THIS END HE WELCOMED THE FORMATION OF THE INTERNATIONAL ENERGY AGENCY, ALTHOUGH HE ACKNOWLEDGED THAT SOME ARAB LEADERS SAW THE IEA AS A MAJOR STEP TOWARDS CONFRONTATION. BECAUSE OF THE NEED TO DISCUSS INDEXING WITH A CONSUMER GROUP, AMOUZEGAR FELT THAT THE DECEMBER 12 MINISTERIAL MEETING WOULD TAKE NO DECISION ON INDEXING. D. IN RESPONSE TO A QUESTION ON NEW OPEC MEMBERS, AMOUZEGAR STATED THAT NO REQUESTS FOR NEW MEMBERSHIP HAD BEEN CIRCULATED IN ADVANCE, AS IS CUSTOMARY. HE ALLUDED TO THE FEELING OF SOME OPEC MEMBERS THAT A MAJOR CRITERION FOR NEW MEMBERSHIP MUST BE THE PRODUCING COUNTRY'S DEPENDENCE ON OIL REVENUES FOR INCOME. HE DID NOT KNOW WHICH COUNTRIES WOULD BE ATTENDING THE MEETING AS OBSERVERS, BUT DID STATE THAT MEXICO WOULD ATTEND. HUMES

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ENERGY, PETROLEUM, FOREIGN POLICY POSITION, SPEECHES, MINISTERIAL MEETINGS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 11 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974VIENNA10301
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: RR
Errors: N/A
Film Number: D740361-0243, D740359-1036
From: VIENNA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741242/aaaabjns.tel
Line Count: 296
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 28 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 MAR 2002 by elyme>; APPROVED <28 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OPEC: AMOUZEGAR LUNCHEON REMARKS
TAGS: ENRG, AU, IR, OPEC, IEA, INTERNATIONAL ENERGY AGENCY, (AMOUZEGAR, JAMSHID)
To: SECSTATE WASHDC ABU DHABI ALGIERS BAGHDAD BEIRUT BONN EC BRUSSELS CARACAS JAKARTA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005